

Senate Study Bill 1052

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON McKIBBEN)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to a community renewal initiative by establishing
2 a community development program to provide tax credits for
3 income tax, franchise tax, premiums tax, and moneys and
4 credits tax for businesses contributing to community
5 development projects to aid certain neighborhoods and
6 communities and including effective and applicability date
7 provisions.
8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
9 TLSB 1597XC 80
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1 1 Section 1. NEW SECTION. 15.380 SHORT TITLE.
1 2 This part shall be known as and may be cited as the
1 3 "Community Development Program Act".
1 4 Sec. 2. NEW SECTION. 15.381 DEFINITIONS.
1 5 As used in this part, unless the context otherwise
1 6 requires:
1 7 1. "Business" means all businesses operating within the
1 8 state and includes individuals operating a sole proprietorship
1 9 or having rental, royalty, or farm income in this state and
1 10 includes a consortium of businesses.
1 11 2. "Community services" means, but is not limited to,
1 12 individual, group, and family counseling; parent and early
1 13 childhood education; mental health services; primary care and
1 14 community medical health centers; child and adult care
1 15 services; senior citizen service centers; recreation programs;
1 16 nutrition programs; emergency shelters for persons suffering
1 17 from physical abuse or rape; services for the handicapped;
1 18 sheltered workshops, vocational counseling; substance abuse
1 19 counseling; and referral services.
1 20 3. "Contribution" includes cash, material or supplies,
1 21 real estate, labor, professional services, technical
1 22 assistance, or equipment. "Contribution" does not include
1 23 investments made by a financial institution or insurance
1 24 company in the normal course of its business.
1 25 4. "Crime prevention" means activities which include but
1 26 are not limited to services to ex-offenders, local civilian
1 27 organizations that help prevent crime or provide aid to
1 28 victims of crime, mediation services aimed at resolving
1 29 disputes and conflicts before they become criminal incidents,
1 30 or services to juveniles who have had contact with the court
1 31 or police.
1 32 5. "Distressed or blighted area" means an area designated
1 33 or that qualifies under section 15E.194 to be designated an
1 34 enterprise zone pursuant to chapter 15E, division XVIII,
1 35 designated as a slum or blighted area pursuant to chapter 403,
2 1 or designated as a revitalization area pursuant to chapter
2 2 404.
2 3 6. "Economic development" means the acquisition,
2 4 renovation, improvement, or the furnishing or equipping of
2 5 existing buildings and real estate in distressed or blighted
2 6 areas of the state when this acquisition, renovation,
2 7 improvement, or the furnishing or equipping of the existing
2 8 buildings and real estate will result in the creation or
2 9 retention of jobs within the state.
2 10 7. "Education" includes literacy programs, adult basic
2 11 education and general educational development certificate
2 12 programs, training for the physically or mentally challenged,
2 13 and other educational programs deemed beneficial to the
2 14 participants.
2 15 8. "Job training" means those activities which provide
2 16 specific vocational skills including special apprenticeship or
2 17 on-the-job training programs not otherwise available.

2 18 9. "Neighborhood area" means a specific geographic area
2 19 certified by the department as having a readily identifiable
2 20 residential population and which may include, but is not
2 21 limited to, any of the following factors:
2 22 a. A sense of belonging or identity that ties residents to
2 23 a given area.
2 24 b. Social, cultural, political, or economic activities
2 25 around which people organize themselves.
2 26 c. The existence of cohesive organizations formed by
2 27 residents.
2 28 d. A city with a population of less than ten thousand or a
2 29 region within a rural area may be certified as a neighborhood
2 30 area.
2 31 e. A history of acting or being treated as a distinct or
2 32 cohesive unit.
2 33 f. The area is designated as a community empowerment area
2 34 in accordance with chapter 28.
2 35 10. "Physical revitalization" means activities designed
3 1 for the physical improvement of any part or all of a
3 2 neighborhood area. These activities may include, but are not
3 3 limited to, such programs as commercial area revitalization;
3 4 housing construction or rehabilitation; improvements to or
3 5 acquisition or construction of facilities used by nonprofit
3 6 organizations for community purposes or related planning and
3 7 promotional activities designed to aid in those programs.
3 8 11. a. "Qualifying organization" means an organization
3 9 performing community services or economic development
3 10 activities in the state and is any of the following:
3 11 (1) A person or organization that is exempt from federal
3 12 income taxation under the Internal Revenue Code as defined in
3 13 section 422.3.
3 14 (2) A nonprofit corporation organized under the laws of
3 15 this state.
3 16 (3) Designated as a community development corporation by
3 17 the federal government pursuant to, Title VII of the Economic
3 18 Opportunity Act of 1964, Pub. L. No. 88-452.
3 19 (4) A community empowerment area board created in
3 20 accordance with chapter 28.
3 21 b. "Qualifying organization" does not include any of the
3 22 following:
3 23 (1) A unit or agency of the state, local government, or
3 24 educational institution. This subparagraph shall not be
3 25 interpreted to prevent a community empowerment area board from
3 26 being considered a qualifying organization.
3 27 (2) A foundation or trust of a postsecondary educational
3 28 institution.
3 29 (3) A church-affiliated religious organization unless the
3 30 organization is without religious discrimination or is not
3 31 controlled by a single denomination.
3 32 Sec. 3. NEW SECTION. 15.382 COMMUNITY DEVELOPMENT TAX
3 33 CREDIT == APPROVAL OF PROJECTS AND PROPOSALS.
3 34 1. TAX CREDIT. A business which engages in the activities
3 35 of providing physical revitalization, economic development,
4 1 job training or education for individuals, community services,
4 2 or crime prevention in the state shall receive a community
4 3 development tax credit as provided in section 15.383 if the
4 4 director annually approves the proposal of the business.
4 5 However, a proposal for a community development tax credit
4 6 shall not be approved which does not have the endorsement of
4 7 the local government for the area in which the business is
4 8 engaging in such activities that the proposal is consistent
4 9 with the overall community or neighborhood development plan
4 10 adopted by that local government.
4 11 2. ECONOMIC DEVELOPMENT PROJECTS. For economic
4 12 development projects in distressed or blighted areas for which
4 13 community development tax credits under this part may be
4 14 approved, the following guidelines apply:
4 15 a. Applications shall be accepted from any locally based
4 16 qualifying organization wishing to conduct an economic
4 17 development project in a distressed or blighted area.
4 18 b. Applicants may not administer more than one economic
4 19 development project at a time. A project may include more
4 20 than one building, provided that the proposal meets all other
4 21 eligibility requirements as set forth in this subsection and
4 22 rules of the department.
4 23 c. Applications will be accepted by the department at any
4 24 time of the year and will be approved on a case-by-case basis
4 25 as all the necessary requirements are met and as credits
4 26 become available.
4 27 d. A maximum authorization of one hundred fifty thousand
4 28 dollars in community development tax credits will be permitted

4 29 per project and no more than five percent of the credits
4 30 authorized for the project shall normally be allowed for
4 31 administrative and operating expenses. In unusual
4 32 circumstances, a higher percentage may be allowed at the
4 33 discretion of the department.

4 34 e. Applicants must obtain a nonbinding commitment from a
4 35 prospective business or businesses willing to locate to the
5 1 facility and demonstrate that at least one job will be created
5 2 or retained for every ten thousand dollars in credits
5 3 requested. Eligible types of businesses include retail,
5 4 commercial, service, and manufacturing.

5 5 3. COMMUNITY DEVELOPMENT PROJECTS. For community
5 6 development projects, other than economic development
5 7 projects, for which community development tax credits under
5 8 this part may be approved, the following procedures, criteria,
5 9 and priorities apply:

5 10 a. A proposal for a proposed program shall be submitted by
5 11 a qualifying organization for carrying out a specific project
5 12 consistent with the purposes of this part.

5 13 b. All proposals shall be made on the forms supplied by
5 14 the department. Each proposal shall contain a project budget
5 15 and shall identify, if possible, the items and amounts of the
5 16 budget which will be provided for from contributions from any
5 17 business. A project budget shall be approved by the
5 18 department. The department may request any additional
5 19 information it determines necessary to evaluate a proposal or
5 20 plan.

5 21 c. Community development projects and the budgets for them
5 22 may be approved for a period of up to three years at the
5 23 discretion of the director.

5 24 d. An annual application deadline shall be determined by
5 25 the department and application materials shall be distributed
5 26 upon request no less than sixty days prior to the actual
5 27 application deadline.

5 28 e. All proposals must address at least one of the
5 29 following priorities in order to qualify for approval:

5 30 (1) The project substantially contributes to self-help
5 31 efforts by residents of the neighborhood area to be served in
5 32 addressing locally defined objectives.

5 33 (2) The project will result in the provision of essential
5 34 services to low-income and moderate-income families which
5 35 would not otherwise be provided in the affected neighborhood
6 1 area and for which there are not other resources. "Low-income
6 2 and moderate-income families" means those families, including
6 3 single-person households, earning no more than eighty percent
6 4 of the higher of the median family income of the county or the
6 5 statewide nonmetropolitan area as determined by the latest
6 6 United States department of housing and urban development,
6 7 section 8 income guidelines.

6 8 (3) The project tangibly contributes to the development of
6 9 lasting cooperation and partnership efforts of neighborhood
6 10 organizations and businesses.

6 11 f. Approval or disapproval of proposals shall be based on
6 12 the following criteria:

6 13 (1) The director must certify an area as experiencing
6 14 problems endangering the area's existence as a viable and
6 15 stable neighborhood to be eligible for assistance.

6 16 (2) The qualifying organization submitting the proposal
6 17 must demonstrate its capacity to adequately administer the
6 18 project.

6 19 (3) There must be a demonstrated need for the program in
6 20 the neighborhood area within which the project is to be
6 21 carried out.

6 22 (4) The proposal must demonstrate that residents of the
6 23 affected neighborhood area have been involved in the planning
6 24 of the proposed project and describe the extent to which they
6 25 will be involved in its implementation.

6 26 (5) The proposal must be consistent with all locally
6 27 approved community or neighborhood development plans for the
6 28 area.

6 29 (6) Proposals submitted subsequent to the first year will
6 30 be evaluated on performance of the first-year project, other
6 31 resources developed, continued need, and potential for
6 32 eventual self-sufficiency.

6 33 g. In no case shall a project be approved that does not
6 34 have a written endorsement of the appropriate local public
6 35 authority with notification given to the community empowerment
7 1 board.

7 2 h. The maximum amount of community development tax credits
7 3 allowed per project is one hundred fifty thousand dollars.

7 4 i. For purposes of the criterion in paragraph "f",

7 5 subparagraph (1), an area is experiencing problems endangering
7 6 its existence as a viable and stable neighborhood if some of
7 7 the following factors are present: declining population, high
7 8 percentage of people dependent on public assistance,
7 9 persistent or substantial unemployment or underemployment,
7 10 lower than average family incomes, financial disinvestment,
7 11 insurance and financial redlining, general weakened market
7 12 conditions on the neighborhood commercial strip as indicated
7 13 by declining rents or vacant stores, excessive abandonment of
7 14 properties, a significant percentage of neighborhood residents
7 15 on fixed incomes, unsanitary or inadequate housing,
7 16 overcrowding, significant proportion of the property is rental
7 17 property, property speculation, high rates of crime and
7 18 delinquency, high degree of drug or alcohol abuse, increasing
7 19 cases of mental health problems, significant numbers of
7 20 single-parent households, high degree of infant mortality and
7 21 disease, disabilities, general unsanitary conditions in the
7 22 area, or poor city and public utility services.

7 23 4. TAX CREDIT APPLICATION.

7 24 a. The department shall approve or disapprove applications
7 25 for community development tax credits to businesses which have
7 26 invested in approved economic development projects or other
7 27 community development projects. The director, upon approval
7 28 of an application, shall notify the director of revenue and
7 29 finance and the governor of those businesses entitled to a tax
7 30 credit.

7 31 If the business meets the criteria for eligibility, the
7 32 department of economic development shall issue to the business
7 33 a certification of entitlement for the community development
7 34 tax credit. The certification shall contain the name of the
7 35 business, address, tax identification number, the amount of
8 1 the credit, the tax year for which the certificate applies,
8 2 and any other information required by the department of
8 3 revenue and finance.

8 4 b. The procedures and requirements for filing a tax credit
8 5 application are as follows:

8 6 (1) Businesses wanting to donate to a particular community
8 7 development project, but first wishing to verify the
8 8 eligibility of the donation for a tax credit, may submit a tax
8 9 credit eligibility confirmation form to the department. The
8 10 department will confirm in writing whether or not the donation
8 11 qualifies for credit and how the value of the credit will be
8 12 determined. This confirmation will not constitute credit
8 13 approval.

8 14 (2) In order to qualify for credit, donations must occur
8 15 during the approved project period with the exception of
8 16 donated audit services, which may occur anytime during the
8 17 six-month period following the project period, and must be
8 18 directly related to the approved project.

8 19 (3) Businesses wishing to apply for credit must complete a
8 20 community development tax credit application.

8 21 (4) Tax credit applications are to be signed by the
8 22 qualifying organization and submitted directly to the
8 23 department not later than one year following the date of
8 24 donation.

8 25 (5) The order in which completed credit applications are
8 26 received by the department will determine the order in which
8 27 credits are approved. Facsimile copies will not be considered
8 28 completed applications.

8 29 (6) Every transmittal of community development tax credit
8 30 applications to the department must be accompanied by a
8 31 project report prepared by the qualifying organization.

8 32 (7) The department shall examine all submitted
8 33 applications and determine which donations meet the
8 34 eligibility criteria.

8 35 c. The department shall establish by rule the methods to
9 1 be used in determining the value of contributions of a
9 2 business.

9 3 Sec. 4. NEW SECTION. 15.383 TAX CREDIT == DOCUMENTATION.

9 4 1. For a tax credit application approved pursuant to
9 5 section 15.382, the community development tax credit available
9 6 under this part may be used to reduce the tax liability
9 7 imposed under chapter 422, division II, III, or V, or chapter
9 8 432 or 533.

9 9 2. Subject to subsections 3 and 4, the amount of the
9 10 community development tax credit shall be fifty percent of the
9 11 contribution made by the business during the tax year.

9 12 3. a. The tax credit shall not exceed one hundred
9 13 thousand dollars annually.

9 14 b. Any tax credit in excess of the business's tax
9 15 liability for a tax year may be credited to the tax liability

9 16 for the following five tax years or until depleted, whichever
9 17 is the earlier.

9 18 c. A financial institution or insurance company shall not
9 19 receive a tax credit for activities that are part of its
9 20 normal course of business.

9 21 d. To be eligible to receive the tax credit, a business
9 22 shall provide documentation of the contributions on which the
9 23 credit is based. The documentation shall be as specified by
9 24 rules of the department.

9 25 4. The total amount of community development tax credits
9 26 that may be approved pursuant to this part shall not exceed
9 27 two million dollars in any fiscal year.

9 28 Sec. 5. NEW SECTION. 422.11H COMMUNITY DEVELOPMENT TAX
9 29 CREDIT.

9 30 The taxes imposed under this division, less the credits
9 31 allowed under sections 422.12 and 422.12B, shall be reduced by
9 32 a community development tax credit received pursuant to
9 33 sections 15.380 through 15.383.

9 34 An individual may claim the tax credit allowed a
9 35 partnership, limited liability company, S corporation, or
10 1 estate or trust electing to have the income taxed directly to
10 2 the individual. The amount claimed by the individual shall be
10 3 based upon the pro rata share of the individual's earnings of
10 4 the partnership, limited liability company, S corporation, or
10 5 estate or trust.

10 6 Any credit in excess of the tax liability for the tax year
10 7 may be credited to the tax liability for the following five
10 8 tax years or until depleted, whichever is earlier.

10 9 If the community development tax credit is taken on the tax
10 10 return, a deduction shall not be allowed for Iowa tax purposes
10 11 for contributions made to a community development project
10 12 which are deductible for federal tax purposes.

10 13 Sec. 6. Section 422.33, Code 2003, is amended by adding
10 14 the following new subsection:

10 15 NEW SUBSECTION. 14. The taxes imposed under this division
10 16 shall be reduced by a community development tax credit
10 17 received pursuant to sections 15.380 through 15.383.

10 18 Any credit in excess of the tax liability for the tax year
10 19 may be credited to the tax liability for following five tax
10 20 years or until depleted, whichever is earlier.

10 21 If the community development tax credit is taken on the tax
10 22 return, a deduction shall not be allowed for Iowa tax purposes
10 23 for contributions made to a community development project
10 24 which are deductible for federal tax purposes.

10 25 Sec. 7. Section 422.60, Code 2003, is amended by adding
10 26 the following new subsection:

10 27 NEW SUBSECTION. 7. The taxes imposed under this division
10 28 shall be reduced by a community development tax credit
10 29 received pursuant to sections 15.380 through 15.383.

10 30 Any credit in excess of the tax liability for the tax year
10 31 may be credited to the tax liability for the following five
10 32 tax years or until depleted, whichever is earlier.

10 33 If the community development tax credit is taken on the tax
10 34 return, a deduction shall not be allowed for Iowa tax purposes
10 35 for contributions made to a community development project
11 1 which are deductible for federal tax purposes.

11 2 Sec. 8. NEW SECTION. 432.12D COMMUNITY DEVELOPMENT TAX
11 3 CREDIT.

11 4 The tax imposed under this chapter shall be reduced by a
11 5 community development tax credit received pursuant to sections
11 6 15.380 through 15.383.

11 7 Any credit in excess of the tax liability for the calendar
11 8 year may be credited to the tax liability for the following
11 9 five calendar years or until depleted, whichever is earlier.

11 10 Sec. 9. Section 533.24, Code 2003, is amended by adding
11 11 the following new unnumbered paragraph:

11 12 NEW UNNUMBERED PARAGRAPH. The tax imposed on moneys and
11 13 credits under this section shall be reduced by a community
11 14 development tax credit received pursuant to sections 15.380
11 15 through 15.383. Any credit in excess of the tax liability for
11 16 the tax year may be credited to the tax liability for the
11 17 following five tax years or until depleted, whichever is
11 18 earlier.

11 19 Sec. 10. EFFECTIVE AND APPLICABILITY DATE. This Act,
11 20 being deemed of immediate importance, takes effect upon
11 21 enactment. Sections 5 through 9 of this Act apply to tax
11 22 years beginning on or after January 1, 2004.

11 23 EXPLANATION

11 24 This bill establishes a community development program
11 25 administered by the department of economic development. The
11 26 program is to provide tax incentives to businesses which make

11 27 contributions to projects in communities or neighborhoods that
11 28 would benefit by these projects. The projects involve the
11 29 providing of physical revitalization, economic development,
11 30 job training or education for individuals, community services,
11 31 and crime prevention. Community services projects include
11 32 projects providing for group and family counseling, parent and
11 33 early childhood mental health services and centers, child and
11 34 adult care, senior citizen centers, recreation programs,
11 35 sheltered workshops, and substance abuse counseling.

12 1 The tax incentives are provided in the form of tax credits
12 2 which may be used to offset the tax liability under the
12 3 individual and corporate income taxes, financial institution
12 4 franchise tax, the insurance gross premiums tax, and the
12 5 credit union moneys and credits tax. The amount of the
12 6 community development tax credit, subject to limitation,
12 7 equals 50 percent of the contributions made by the business to
12 8 the project. Not more than \$150,000 in tax credits may be
12 9 allowed for any one project. The maximum amount of credit a
12 10 business may receive for a project is \$100,000. Projects and
12 11 tax credits associated with the projects must be approved by
12 12 the department of economic development. The total amount of
12 13 tax credits that may be approved in a fiscal year shall not
12 14 exceed \$2 million.

12 15 The bill takes effect upon enactment and the tax credit
12 16 provisions are effective January 1, 2004, for tax years
12 17 beginning on or after that date.

12 18 LSB 1597XC 80

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